

34-1150
TOWNSHIP OF RONALD
Ionia County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

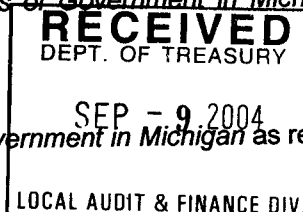
Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Ronald	County Ionia
Audit Date March 31, 2004	Opinion Date July 29, 2004	Date Accountant Report Submitted to State: July 29, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF RONALD
Ionia County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

July 29, 2004

To the Township Board
Township of Ronald
Ionia County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Ronald, Ionia County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Ronald's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Ronald, Ionia County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Ronald, Ionia County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF RONALD
Ionia County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>
<u>Assets</u>				
Cash in bank	177 540 55	773 13	-	-
Taxes receivable	3 822 76	-	-	-
Due from other funds	690 63	-	-	-
Land	-	-	8 650 00	-
Buildings	-	-	64 841 17	-
Equipment	-	-	229 220 40	-
Amount to be provided for retirement of general long-term debt	-	-	-	52 397 01
Total Assets	<u>182 053 94</u>	<u>773 13</u>	<u>302 711 57</u>	<u>52 397 01</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	690 63	-	-
Due to others	-	82 50	-	-
Contract payable	-	-	-	52 397 01
Total liabilities	-	<u>773 13</u>	-	<u>52 397 01</u>
Fund equity:				
Investment in general fixed assets	-	-	302 711 57	-
Fund balances:				
Unreserved:				
Undesignated	<u>182 053 94</u>	-	-	-
Total fund equity	<u>182 053 94</u>	-	<u>302 711 57</u>	-
Total Liabilities and Fund Equity	<u>182 053 94</u>	<u>773 13</u>	<u>302 711 57</u>	<u>52 397 01</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

178 313 68

3 822 76

690 63

8 650 00

64 841 17

229 220 40

52 397 01

537 935 65

690 63

82 50

52 397 01

53 170 14

302 711 57

182 053 94

484 765 51

537 935 65

TOWNSHIP OF RONALD
Ionia County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES EXHIBIT B
Year Ended March 31, 2004

	<u>Governmental Fund Type</u>
	<u>General</u>
Revenues:	
Property taxes	25 676 58
Trailer park fees	178 50
State revenue sharing	135 965 00
Charges for services – fees:	
Property tax administration	10 369 42
Interest	2 881 40
Special assessments	1 235 00
Miscellaneous	7 459 44
Total revenues	<u>183 765 34</u>
Expenditures:	
Legislative:	
Township Board	15 889 87
General government:	
Supervisor	6 107 00
Assessor	9 867 56
Clerk	7 563 92
Board of Review	796 30
Treasurer	8 952 76
Building and grounds	6 559 96
Cemetery	4 798 00
Public safety:	
Fire protection	35 242 33
Public works:	
Highways and streets	42 923 39
Street lighting	2 039 55
Capital outlay	3 783 00
Debt service	19 157 76
Total expenditures	<u>163 681 40</u>
Excess of revenues over expenditures	20 083 94
Fund balance, April 1	<u>161 970 00</u>
Fund Balance, March 31	<u>182 053 94</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RONALD
Ionia County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND EXHIBIT C
Year Ended March 31, 2004 Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	27 000 00	25 676 58	(1 323 42)
Trailer park fees	200 00	178 50	(21 50)
State revenue sharing	138 600 00	135 965 00	(2 635 00)
Charges for services – fees:			
Property tax administration	5 250 00	10 369 42	5 119 42
Interest	1 500 00	2 881 40	1 381 40
Special assessments	1 230 00	1 235 00	5 00
Miscellaneous	<u>500 00</u>	<u>7 459 44</u>	<u>6 959 44</u>
Total revenues	<u>174 280 00</u>	<u>183 765 34</u>	<u>9 485 34</u>
Expenditures:			
Legislative:			
Township Board	18 000 00	15 889 87	(2 110 13)
General government:			
Supervisor	8 000 00	6 107 00	(1 893 00)
Elections	2 500 00	-	(2 500 00)
Assessor	14 000 00	9 867 56	(4 132 44)
Clerk	10 000 00	7 563 92	(2 436 08)
Board of Review	1 500 00	796 30	(703 70)
Treasurer	12 000 00	8 952 76	(3 047 24)
Buildings and grounds	12 000 00	6 559 96	(5 440 04)
Legal	1 000 00	-	(1 000 00)
Cemetery	10 000 00	4 798 00	(5 202 00)
Public safety:			
Fire protection	36 000 00	35 242 33	(757 67)
Ambulance	9 000 00	-	(9 000 00)
Public works:			
Highways and streets	60 280 00	42 923 39	(17 356 61)
Street lighting	3 000 00	2 039 55	(960 45)
Capital outlay	8 000 00	3 783 00	(4 217 00)
Debt service	<u>20 000 00</u>	<u>19 157 76</u>	<u>(842 24)</u>
Total expenditures	<u>225 280 00</u>	<u>163 681 40</u>	<u>(61 598 60)</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RONALD
Ionia County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		<u>Over (Under) Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Excess (deficiency) of revenues over expenditures	(51 000 00)	20 083 94	71 083 94
Fund balance, April 1	<u>51 000 00</u>	<u>161 970 00</u>	<u>110 970 00</u>
Fund Balance, March 31	<u>-</u>	<u>182 053 94</u>	<u>182 053 94</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RONALD
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ronald, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ronald. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF RONALD
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Long-Term Debt Account Group

This account group presents the general long-term debt of the governmental unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .8092 mills. The taxable value was \$31,693,672.00.

Investments

Investments are stated at market.

TOWNSHIP OF RONALD
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF RONALD
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>178 313 68</u>

TOWNSHIP OF RONALD
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	108 485 51
Uninsured and Uncollateralized	<u>147 548 27</u>
Total Deposits	<u><u>256 033 78</u></u>

The Township of Ronald did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	8 650 00	-	-	8 650 00
Buildings	64 841 17	-	-	64 841 17
Equipment	<u>225 437 40</u>	<u>3 783 00</u>	-	<u>229 220 40</u>
Total	<u><u>298 928 57</u></u>	<u><u>3 783 00</u></u>	<u><u>-</u></u>	<u><u>302 711 57</u></u>

Note 4 – Interfund Receivables and Payables

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>690 63</u>	Current tax collection	<u>690 63</u>
Total	<u><u>690 63</u></u>	Total	<u><u>690 63</u></u>

TOWNSHIP OF RONALD
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 5 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Total	<u>68 297 00</u>	<u>-</u>	<u>15 899 99</u>	<u>52 397 01</u>

Note 6 – Contract Payable

On November 9, 2002, the Township obtained a \$68,297.00 loan to partially fund the purchase of a fire truck. The loan is repayable in four annual payments of \$19,157.76 including interest at the rate of 4.77% per annum. As of March 31, 2004, the principal balance outstanding was \$52,397.01 and it is recorded in the General Long-Term Debt Account Group.

Note 7 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full time employees. The Township's contribution for the year ended March 31, 2004, was \$5,900.00.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

The Township of Ronald does not issue building permits. Building permits are issued by the County of Ionia.

TOWNSHIP OF RONALD
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 11 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF RONALD
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2004

EXHIBIT D

Page 1

Township Board:

Wages	2 000 00
Pension	5 900 00
Dues	1 549 13
Insurance	5 601 00
Printing and publishing	165 70
Miscellaneous	674 04
	<u>15 889 87</u>

Supervisor:

Wages	6 000 00
Miscellaneous	107 00
	<u>6 107 00</u>

Assessor:

Contracted services	8 977 56
Miscellaneous	890 00
	<u>9 867 56</u>

Clerk:

Wages	7 000 00
Supplies	563 92
	<u>7 563 92</u>

Board of Review:

Per diem and expenses	<u>796 30</u>
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Treasurer:

Wages	7 000 00
Supplies	1 952 76
	<u>8 952 76</u>

Building and grounds:

Repairs and maintenance	4 517 77
Utilities	379 19
Supplies	1 663 00
	<u>6 559 96</u>

Cemetery:

Repairs and maintenance	<u>4 798 00</u>
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TOWNSHIP OF RONALD
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Fire protection:	
Wages	10 485 13
Utilities	444 31
Supplies	9 125 22
Telephone	601 28
Insurance	11 836 51
Repairs and maintenance	<u>2 749 88</u>
	<u>35 242 33</u>
Highways and streets:	
Repairs and maintenance	<u>42 923 39</u>
Street lighting:	
Utilities	<u>2 039 55</u>
Capital outlay	<u>3 783 00</u>
Debt service	<u>19 157 76</u>
Total Expenditures	<u><u>163 681 40</u></u>

TOWNSHIP OF RONALD
Ionia County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>256 13</u>	<u>719 380 83</u>	<u>718 863 83</u>	<u>773 13</u>
<u>Liabilities</u>				
Due to other funds	256 13	32 348 86	31 914 36	690 63
Due to others	-	687 031 97	686 949 47	82 50
Total Liabilities	<u>256 13</u>	<u>719 380 83</u>	<u>718 863 83</u>	<u>773 13</u>

TOWNSHIP OF RONALD
Ionia County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT F

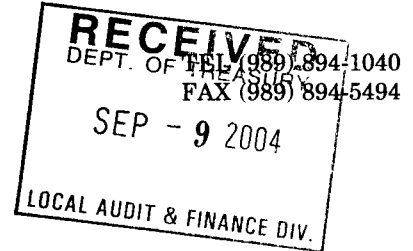
Cash on hand and in bank – beginning of year	<u>256 13</u>
Cash receipts:	
Property tax	710 503 95
Trailer park fees	1 170 00
Property tax administration	7 046 54
Interest	<u>660 34</u>
Total cash receipts	<u>719 380 83</u>
Total beginning balance and cash receipts	<u>719 636 96</u>
Cash disbursements:	
Township General Fund	31 914 36
Ionia County	319 627 46
Ionia Public Schools	177 356 34
Palo Community Schools	56 591 82
Ionia Intermediate School District	127 876 05
Carson City – Crystal Area Schools	167 50
Central Montcalm Public Schools	720 39
Montcalm County Intermediate School District	564 35
Montcalm Community College	398 11
Refunds	<u>3 647 45</u>
Total cash disbursements	<u>718 863 83</u>
Cash on Hand and in Bank – End of Year	<u><u>773 13</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707



AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 29, 2004

To the Township Board
Township of Ronald
Ionia County, Michigan

We have audited the financial statements of the Township of Ronald, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Ronald in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

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For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

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GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Ronald will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants